

Discipline Specific Elective Course- 4.4 (DSE-4.4): Analysis of Financial Statements

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course (if any)
		Lecture	Tutorial	Practical/Practice		
DSE 4.4- Analysis of Financial Statements	4	3	1	0	Pass in Class XII with Mathematics/Accountancy	Studied Financial Reporting Analysis & Valuation (DSE3.4)

Learning Objectives

The course aims to help the learners to analyse accounting and other information incorporated in the corporate annual reports, and to analyse the operating, financial, and structural performance of business firms with the help of appropriate analytical tools.

Learning outcomes

After completion of the course, learners will be able to:

1. Analyse and interpret the quantitative information provided in the Financial Statements of a company.
2. Examine various techniques for financial statement analysis.
3. Analyze financial statements and make inter-firm comparisons using Accounting ratios.
4. Prepare a cash flow statement and perform cash flow analysis.
5. Analyse intra-firm and inter-firm comparisons using case study technique.

SYLLABUS OF DSE-4.4

Unit 1: Introduction (4 hours)

Introduction to Corporate Financial Statements, Financial/Accounting information contained in the Financial Statements; Meaning, objectives, and limitations of Financial Statement Analysis; Considerations for the economic and financial analysis.

Unit 2: Techniques of Financial Statement Analysis - I (7 hours)

Techniques of financial statement analysis – Comparative Financial Statements, Common-size Financial Statement, and Trend Analysis.

Unit 3: Techniques of Financial Statement Analysis - II (11 hours)

Meaning, objectives, and classification of Accounting Ratios and Ratio Analysis; Computation and application of accounting ratios for evaluation of performance (Activity and Profitability Analysis), evaluation of financial health (Liquidity, Solvency, and Structural Analysis); and market ratios. EVA analysis. Intra-firm and inter-firm comparison using ratio analysis. DuPont analysis.

Unit 4: Cash Flow Analysis (9 hours)

Meaning of Cash Flow; Objectives and Importance of Statement of Cash Flows; Preparation of Statement of Cash Flows as per AS 3 and Ind AS 7.

Unit 5: Analysis of Financial Statements- Case Study (14 hours)

A Case Study Intra-firm and inter-firm comparison of any three listed companies from any sector/industry for a period of five years using the spreadsheet, Industry Averages, Growth rates, CAGR, Z-score etc. using the techniques of financial statement analysis.

Exercises:

Learners are required to:

1. Extract historical annual reports of any reputed company.
2. Analyse the information contained in the financial statements using common size analysis and trend analysis.
3. From the financial statements, compute the accounting ratios to examine the operating efficiency, profitability, liquidity, and solvency of the company.
4. Prepare Cash flow statements from the information available in the financial statements.
5. Conduct a comparative analysis of any two listed companies using excel.

Suggested Readings:

- Ahuja, N. L., & Dawar, V. (2015). *Financial Accounting and Analysis*. Delhi, India: Taxmann Publications.
- Bhattacharyya, A.K. (2016). *Financial Accounting for Business Managers*. Delhi, India: Prentice Hall of India.
- Friedson, M. S., & Alvarez, F. (2022). *Financial Statement Analysis: A practitioners' Guide*. New Jersey, United States: Wiley.
- Foster, G. (1986). *Financial Statement Analysis*. London, United Kingdom: Pearson Education.
- Gopalkrishnan, A. A. (2001). *Understanding Financial Statements - Interpretation and Analysis*. Delhi, India: Label Book Publisher.
- Goyal, B.K. (2022). *Corporate Accounting*. Delhi, India: Taxmann Publications.

- Gupta, A. (2018). *Financial Accounting for Managers: An Analytical Perspective*. Delhi, India: Pearson Education.
- Gupta, M., Kaur, H., & Gupta, R. (2020). *Financial Reporting and Analysis*. Delhi, India: JSR Publishing House LLP.
- Helfert, E. A. (1996). *Techniques of Financial Analysis: A Practical Guide to Measuring Business Performance*. New York, United States: McGraw Hill Education.
- Lal, J. & Sucheta, G. (2018). *Financial Reporting and Analysis*. Mumbai, India: Himalaya Publishing House.
- Narasimhan, M. S. (2016). *Financial Statement and Analysis*. Uttar Pradesh, India: Cengage Learning India.
- Sah, R. K. (2019). *Concept Building Approach to Corporate Accounting*. Uttar Pradesh, India: Cengage Learning India.
- Soffer, L. C., & Soffer, R. J. (2002). *Financial Statement Analysis: A Valuation Approach*. London, United Kingdom: Pearson Education.
- Myer, J. N. (1969). *Financial Statement Analysis*. Prentice-Hall.
- Tulsian, P. C., & Tulsian, B. (2016). *Corporate Accounting*. Delhi, India: S. Chand Publishing.
- Tulsian, P. C., & Tulsian, B. (2017). *Financial Management*. Delhi, India: S. Chand Publishing.

Note: Suggested readings will be updated by the Department of Commerce and uploaded on the Department's website.

Discipline Specific Elective Course- 4.5 (DSE-4.5): Decision Science

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course (if any)
		Lecture	Tutorial	Practical/Practice		
DSE 4.5 – Decision Science	4	3	1	0	Pass in Class XII with Mathematics/Accountancy	NIL

Learning Objectives